

Message Text

LIMITED OFFICIAL USE

PAGE 01 DUBLIN 00495 131150 Z

46

ACTION EB-11

INFO OCT-01 EUR-25 IO-12 ADP-00 SSO-00 NSCE-00 USIE-00

INRE-00 AID-20 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00

RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 NSC-10 SS-15 STR-08 CEA-02 L-03 H-02 PRS-01

PA-03 GAC-01 RSR-01 /157 W
----- 061242

O R 131111 Z APR 73

FM AMEMBASSY DUBLIN

TO SECSTATE WASHDC IMMEDIATE 4576

INFO USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY COPENHAGEN

AMEMBASSY LUXEMBOURG

LIMITED OFFICIAL USE DUBLIN 0495

E. O. 11652: N/A

TAGS: EFIN; EIND; PFOR; BGEN; EI

SUBJECT: IRISH REACTION TO US TAX PROPOSALS

REF: DUBLIN 478, 484

SUMMARY: DUBLIN NEWSPAPERS, US BUSINESSMEN, AND IRISH OFFICIALS
HAVE REACTED STRONGLY, NEGATIVELY AND WITH CONSIDERABLE CONFUSION
TO US PROPOSALS TO TAX US SUBSIDIARIES IN "TAX HOLIDAY" COUNTRIES
AND "RUNAWAY PLANTS". EMBASSY HAS ATTEMPTED CLARIFY SITUATION
BY DISSEMINATING TEXTS OF PRESIDENT'S TRADE MESSAGE AND SECRETARY
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 DUBLIN 00495 131150 Z

SHULTZ AND MR. FLANIGAN' S PRESS BRIEFING, BUT WE STILL NEED GUIDANCE REQUESTED DUBLIN' S 484, AS TO HOW PROPOSALS WILL AFFECT IRELAND.

1. IRISH PRESS APRIL 13 GAVE TOP HEADLINES TO PROPOSALS MENTIONED IN PRESIDENT' S MESSAGE IN THE TRADE REFORM BILL RE TAXING OF EARNINGS OF OVERSEAS SUBSIDIARIES OF US FIRMS, CALLING THEM " NIXON TAX THREAT TO IRISH JOBS". PRESS SAID US FIRMS WOULD PROTEST, AS IF MEASURES PASSED " DOZENS OF AMERICAN COMPANIES NOW OPERATING HERE MAY FIND THEIR INVESTMENT IN JEOPARDY." PRESS PRINTED PICTURE OF AFL/ CIO PRESIDENT GEORGE MEANY AND SUGGESTED THAT STRONG IRISH REPRESENTATIONS AT TRADE UNION LEVEL MIGHT HELP.

2. PRESS ARTICLE SHOWED CONSIDERABLE CONFUSION, AS IT SUGGESTED THAT PROPOSALS WERE TO APPLY TO EXISTING AS WELL AS NEW INDUSTRY. IT ALSO CONFUSED PRESIDENT' S PROPOSALS WITH GULL GAMUT OF BURKE- HARTKE PROPOSALS, APPARENTLY BECAUSE US CHAMBER OF COMMERCE HAS JUST CIRCULARIZED ITS MEMBERSHIP TO OPPOSE BURKE- HARTKE BILL.

3. IRISH TIMES BUSINESS EDITOR ANDREW WHITTAKER ALSO COMMENTED EXTENSIVELY ON PROPOSALS, STRESSING THAT THEY WOULD SERIOUSLY THREATEN IRISH SCHEMES FOR GETTING MORE US FIRMS TO INVEST IN IRELAND. WHITTAKER POINTED OUT THAT US INVESTMENT IN IRELAND IS PROBABLY ABOUT ONE- THIRD OF TOTAL NEW FOREIGN INVESTMENT IN IRELAND AND THAT OVER HALF OF INDUSTRIAL DEVELOPMENT AUTHORITY (IDA) PROMOTIONAL BUDGET IS SPENT IN US. WHITTAKER SAID THAT WHILE TAX PROPOSALS SEEMED DESIGNED TO DRAW THE TEETH OF BURKE- HARTKE SUPPORTERS , THEY LOOK GRAVELY DAMAGING TO FURTHER US INVESTMENT IN IRELAND.

4. WHITTAKER INDICATED CONFUSION AS TO WHETHER TAXES ON " RUNAWAY PLANTS" WOULD AFFECT BOTH EXISTING AND NEW SUBSIDIARIES, NOTING THAT GENERAL ELECTRIC FOR EXAMPLE HAS TWO PLANTS IN IRELAND WHICH COULD BE AFFECTED. HE NOTED POSSIBILITY THAT NEGOTIATION OF BILATERAL TAX TREATY COULD PROVIDE LOOPHOLE, BUT THAT IRISH NEGOTIATIONS MIGHT NOT BE SUCCESSFUL, IN VIEW HISTORY OF LANDING RIGHTS " SQUABBLE". WHITTAKER SAID THAT GOI EFFORT TO GET AROUND SITUATION BY TAXING US FIRMS AND THEN DOUBLING INVESTMENT GRANTS MIGHT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 DUBLIN 00495 131150 Z

BE STYMIED BY ANOTHER CLAUSE OF PRESIDENT' S MESSAGE WHICH

WOULD CLASSIFY CASH GRANTS AND REGIONAL INCENTIVES AS TAX INCENTIVES. WHITTAKER SAID THAT CLAUSE COULD AFFECT US INVESTMENT IN ALL EC COUNTRIES.

5. EMBASSY UNDERSTANDS THAT US CHAMBE OF COMMERCE AND US BUSINESSMEN HAVE MET WITH FONOFF AND IDA REPRESENTATIVES TO URGE GOI TO RENEW ITS REPRESENTATIONS ON US TAX PROPOSALS. IDA MANAGING DIRECTOR MICHAEL KILLEEN QUESTIONED ECON/ COMMOFF AT CONSIDERABLE LENGTH ON PROPOSALS.

6. ACTION REQUESTED: AT THEIR REQUEST, WE HAVE SENT WIRELESS FILE COPIES OF PRESIDENT' S MESSAGE AND OTHER DOCUMENTS TO IDA. FONOFF, US CHAMBER, AND IRISH TIMES. HOWEVER, WE STILL NEED GUIDANCE ON PROPOSALS AND HOW THEM MAY AFFECT US BUSINESS HERE, BOTH EXISTING AND FUTURE INVESTMENT.
MOORE

LIMITED OFFICIAL USE

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts:
Control Number: n/a
Copy: SINGLE
Draft Date: 13 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973DUBLIN00495
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: DUBLIN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730442/aaaainxe.tel
Line Count: 135
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 DUBLIN 478
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 06 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06-Aug-2001 by willialc>; APPROVED <06-Sep-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 980115
Subject: IRISH REACTION TO US TAX PROPOSALS
TAGS: BGEN, EFIN, EIND, PFOR, EI, n/a
To: BONN
EB
EC BRUSSELS
GENEVA
LONDON
OECD PARIS
PARIS

ROME

SECSTATE WASHDC

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005